

ORIGINAL

NEW APPLICATION



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Attorneys for Liberty Utilities (Entrada Del Oro Sewer) Corp.

DOCKETED BY

[Signature]

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF LIBERTY UTILITIES (ENTRADA DEL
ORO SEWER) CORP., AN ARIZONA
CORPORATION, FOR AUTHORITY TO
ISSUE EVIDENCE OF INDEBTEDNESS IN
AN AMOUNT NOT TO EXCEED
\$1,750,000.

DOCKET NO: SW-04316A-16-0085

APPLICATION (FINANCING)

Pursuant to A.R.S. §§ 40-301 and 40-302, Liberty Utilities (Entrada Del Oro Sewer) Corp., formerly Entrada Del Oro Sewer Company ("Liberty EDO" or "Company"), an Arizona public service corporation, hereby applies for authority from the Arizona Corporation Commission ("Commission") to issue evidence of indebtedness in a total amount not to exceed \$1,750,000 on the terms and conditions set forth below. In support of this Application, Liberty EDO states as follows:

A. General Background.

1. Liberty EDO is a public service corporation providing water service to 336 residential customers in Maricopa County, Arizona.

2. Liberty EDO's present rates and charges for utility service were approved by the Commission in Decision No. 68306 (November 14, 2005), more than nine years ago when the Commission granted the CC&N. Liberty EDO is filing a rate case seeking new

1 rates simultaneous with this Application using a test year ending October 31, 2015.

2 3. Liberty EDO's business office is located at 12725 W. Indian School Road,
3 Suite D-101, Avondale, Arizona 85392 and its telephone number is (623) 935-9367.
4 The Company's primary management contact is its President, Matthew Garlick.

5 4. Mr. Garlick is the person responsible for overseeing and directing the
6 conduct of this Application. His mailing address is 12725 W. Indian School Road,
7 Suite D-101, Avondale, Arizona 85392; his telephone number is (623) 298-3763; and his
8 email address is matthew.garlick@libertyutilities.com. **All discovery, data requests and
9 other requests for information concerning this Application should be directed to
10 Mr. Garlick, with a copy by e-mail to undersigned counsel at jay@shapslawaz.com
11 and whitney@shapslawaz.com, and to Liberty's Assistant General Counsel at
12 todd.wiley@libertyutilities.com.**

13 5. Financial statements for the twelve-month period ending October 31, 2015,
14 are attached as **Exhibit 1**.

15 6. Statements projecting Liberty EDO's estimated financial performance, for
16 the next five years, are attached as **Exhibit 2**.

17 **B. Purposes of Financing.**

18 7. Liberty EDO seeks Commission approval of long-term debt financing
19 contemplated herein for the purpose of rebalancing the Company's capital structure from
20 its present structure of 100 percent equity to a capital structure of 70 percent equity and
21 30 percent debt.

22 8. Liberty EDO's capital structure is presently 100 percent equity. If this
23 application is approved, Liberty EDO will borrow the amount necessary to achieve a
24 capital structure consisting of 70 percent equity and 30 percent debt. This amount is
25 currently estimated to be \$1.75 million. In addition, Liberty EDO will enter into
26 additional loan agreements every six months as necessary to maintain a capital structure

1 consisting of 70 percent equity and 30 percent debt. However, at no time will the total
2 debt amount exceed \$1,750,000.

3 **C. Terms and Conditions of Financial Transactions.**

4 9. The lender will be Liberty Utilities Co. ("Liberty Utilities"). Liberty Utilities
5 is an affiliate of Liberty EDO. The term sheet for the proposed debt financing is attached
6 hereto as **Exhibit 3**. Liberty Utilities will provide the subject financing at a fixed rate per
7 annum that is equal to the average of the 10-year U.S. Treasury rate as published on
8 Bloomberg Financial Markets for the prior 30 days plus an interest rate spread to be equal
9 to the indicative 10-year spread on Liberty Utilities' most recent private placement
10 financing. The maturity date for the debt financing from Liberty Utilities shall be ten (10)
11 years after closing. Liberty Utilities will not earn a profit or return on loans made to
12 Liberty EDO under the authority sought in this Application.

13 **D. Effects of Financial Transactions.**

14 10. Liberty EDO's pro forma balance sheet for the period ending
15 October 31, 2015 is attached as **Exhibit 4**. The pro forma balance sheet reflects the
16 impact of the debt infusion that is the subject of this Application. As noted above, the
17 Company's pro forma capital structure will be 30 percent debt and 70 percent common
18 equity.

19 11. The Company will have a Debt Service Coverage Ratio ("DSCR") of 6.03
20 and a Times Interest Earned Ratio ("TIER") of 3.83 if the maximum requested
21 indebtedness were incurred. The ratios will be higher as long as the amount of debt
22 incurred remains less than the maximum value requested. The DSCR and TIER
23 calculations, as shown on **Exhibit 5**, were calculated using the current U.S. Treasury rate
24 as published on Bloomberg Financial Markets for the prior 30 days plus an interest rate
25 spread to be equal to the indicative 10-year spread on Liberty Utilities' most recent private
26 placement financing.

1 12. The loan proceeds will be issued for lawful purposes, as discussed herein,
2 and the execution of loan agreements with Liberty Utilities and the undertaking of the
3 obligations set forth therein are within the Company's corporate powers. A Corporate
4 Resolution authorizing the contemplated transaction is attached as **Exhibit 6**.

5 13. Liberty EDO will file true and correct copies of all debt instruments issued
6 with Docket Control within thirty (30) days from the date of issuance.

7 14. The approvals sought herein are compatible with the public interest and with
8 the proper performance of Liberty EDO's duties as a public service corporation.

9 15. The financing contemplated herein will not impair Liberty EDO's ability to
10 perform its duties as a public service corporation providing wastewater utility service.

11 16. Liberty EDO intends to request consolidation of this financing application
12 with the Company's rate application filed on March 3, 2016. As such, Liberty EDO will
13 seek permission to notify its customers of both applications at the same time if
14 consolidation is granted. Proof of publication and a true copy of the notice will be filed
15 with the Commission as necessary.

16 Based on the foregoing, Liberty EDO respectfully requests the following:

17 A. That the Commission consider this application at the same time and in the
18 same proceedings as the Company's concurrently filed rate application;

19 B. That the Commission enter an order approving this Application and
20 authorizing Liberty EDO to incur indebtedness in an amount not to exceed \$1,750,000 for
21 the purposes described above; and

22 C. That the Commission authorize Liberty EDO to take such other and further
23 action as may be necessary to effectuate the purposes of this Application, as may be
24 appropriate under the circumstances herein.

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RESPECTFULLY SUBMITTED this 7th day of March, 2016.

SHAPIRO LAW FIRM, P.C.

By: _____

~~Jay L. Shapiro~~
1819 E. Morten Avenue, Suite 280
Phoenix, AZ 85020

and

LIBERTY UTILITIES

Todd C. Wiley
Assistant General Counsel
12725 W. Indian School Road, Suite D-101
Avondale, AZ 85392

Attorneys for Liberty Utilities
(Entrada Del Oro Sewer) Corp.

ORIGINAL and fifteen (15) copies
of the foregoing were delivered
this 7th day of March, 2016, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

By: *William Zirk*

EXHIBIT 1

Liberty Utilities (Entrada Del Oro Sewer) Corp.
Test Year Ended October 31, 2015
Comparative Balance Sheets

Exhibit
Schedule E-1
Page 1
Witness: Bourassa

Line No.		Test Year Ended 10/31/2015	Year Ended 10/31/2014	Year Ended 12/31/2013
1	<u>ASSETS</u>			
2	Plant In Service	\$ 4,283,004	\$ 4,182,845	\$ 4,159,114
3	Non-Utility Plant	-	-	-
4	Construction Work in Progress	19,639	21,124	(767)
5	Property Held for Future Use	-	-	-
6	Accumulated Depreciation	(1,515,859)	(1,336,237)	(1,175,762)
7	Net Plant	<u>\$ 2,786,784</u>	<u>\$ 2,867,732</u>	<u>\$ 2,982,585</u>
8				
9	CURRENT ASSETS			
10	Cash and Equivalents	\$ 30,310	\$ 7,772	\$ 254,389
11	Restricted Cash	-	-	-
12	Net Accounts Receivable	51,321	31,690	30,320
13	Inter-Company Receivable	-	-	-
14	Notes Receivable	-	-	-
15	Materials and Supplies	-	-	-
16	Prepayments	16,048	18,079	19,694
17	Other Current Assets	-	23,469	23,469
18	Total Current Assets	<u>\$ 97,680</u>	<u>\$ 81,011</u>	<u>\$ 327,872</u>
19				
20	OTHER ASSETS			
21	Deferred Finance Costs	\$ -	\$ -	\$ -
22	Other Deferred Debits	-	-	-
23	Other Non-Current Assets	-	-	-
24	Deferred Debits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
25				
26	TOTAL ASSETS	<u>\$ 2,884,464</u>	<u>\$ 2,948,743</u>	<u>\$ 3,310,457</u>
27				
28				
29	<u>LIABILITIES AND STOCKHOLDER EQUITY</u>			
30				
31	Stockholder's Equity	<u>\$ 2,876,195</u>	<u>\$ 3,249,618</u>	<u>\$ 3,277,127</u>
32				
33	Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
34				
35	CURRENT LIABILITIES			
36	Accounts Payable	\$ -	\$ -	\$ -
37	Current Portion of Long-Term Debt	-	-	-
38	Payables to Associated Companies	(18,800)	(316,321)	13,631
39	Security Deposits	2,360	1,810	1,110
40	Customer Meter Deposits, Current	-	-	-
41	Current Portion of AIAC	-	-	-
42	Accrued Taxes	12,250	(3,908)	10,000
43	Accrued Interest	-	-	-
44	Other Current Liabilities	7,458	12,544	3,589
45	Total Current Liabilities	<u>\$ 3,268</u>	<u>\$ (305,875)</u>	<u>\$ 28,330</u>
46	DEFERRED CREDITS			
47	Customer Meter Deposits, less current	\$ -	\$ -	\$ -
48	Advances in Aid of Construction (in Progress)	5,000	5,000	5,000
49	Advances in Aid of Construction	-	-	-
50	Accumulated Deferred Investment Tax Credits	-	-	-
51	Accumulated Deferred Income Taxes	-	-	-
52	Contributions In Aid of Construction	-	-	-
53	Accumulated Amortization	-	-	-
54	Other Deferred Credits	-	-	-
55	Total Deferred Credits	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
56				
57	Total Liabilities & Common Equity	<u>\$ 2,884,464</u>	<u>\$ 2,948,743</u>	<u>\$ 3,310,457</u>

61 **SUPPORTING SCHEDULES:**

RECAP SCHEDULES
A-3

Liberty Utilities (Entrada Del Oro Sewer) Corp.
Test Year Ended October 31, 2015
Comparative Income Statements

Exhibit
Schedule E-2
Page 1
Witness: Bourassa

Line No.		Test Year Ended 10/31/2015	'Prior Year Ended 10/31/2014	Prior Year Ended 12/31/2013
1	Revenues			
2	Flat Rate Revenue	\$ 281,183	\$ 280,845	\$ 283,304
3	Reclaimed Water Revenues	-	-	-
4	Other Wastewater Revenue	1,575	1,692	1,790
5	Total Revenues	\$ 282,758	\$ 282,537	\$ 285,094
6	Operating Expenses			
7	Salaries and Wages	\$ -	\$ -	\$ -
8	Purchased Water	2,379	2,453	2,270
9	Sludge Removal	2,204	917	6,910
10	Purchased Power	16,374	25,219	26,467
11	Fuel for Power Production	-	-	-
12	Chemicals	770	-	1,347
13	Materials and Supplies	3,171	1,779	1,711
14	Contractual Services - Professional	40,990	39,576	50,903
15	Contractual Services - Testing	11,872	18,646	11,332
16	Contractual Services - Other	12,995	13,540	54,942
17	Office Supplies and Expense	-	-	-
18	Rents	-	-	-
19	Transportation	100	104	430
20	Insurance	6,288	7,323	15,628
21	Regulatory Commission Expense	-	-	-
22	Miscellaneous	21,362	15,830	14,034
23	Depreciation and Amortization	168,567	166,103	175,969
24	Taxes Other Than Income	-	-	-
25	Property Taxes	34,283	18,484	13,845
26	Income Taxes	-	-	-
27				
28	Total Operating Expenses	\$ 321,354	\$ 309,974	\$ 375,787
29	Operating Income	\$ (38,596)	\$ (27,437)	\$ (90,692)
30	Other Income (Expense)			
31	Interest and Dividend Income	-	-	105
32	AFUDC Income	-	-	-
33	Miscellaneous Non-Utility Expenses	-	-	-
34	Interest Expense	(94)	(72)	(64)
35				
36	Total Other Income (Expense)	\$ (94)	\$ (72)	\$ 42
37	Net Profit (Loss)	\$ (38,690)	\$ (27,509)	\$ (90,651)

SUPPORTING SCHEDULES:

RECAP SCHEDULES:
A-2

Liberty Utilities (Entrada Del Oro Sewer) Corp.
Test Year Ended October 31, 2015
Comparative Statements of Cash Flows

Exhibit
Schedule E-3
Page 1
Witness: Bourassa

Line No.		Test Year Ended <u>10/31/2015</u>	Prior Year Ended <u>10/31/2014</u>	Prior Year Ended <u>12/31/2013</u>
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	\$ (38,690)	\$ (27,509)	\$ (90,651)
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	168,567	166,103	175,969
8	Depreciation and Amortization Adjustments	11,057	(5,628)	(11,876)
9	Changes in Certain Assets and Liabilities:			
10	Accounts Receivable	(19,631)	(1,370)	5,888
11	Restricted Cash			
12	Materials and Supplies Inventory			
13	Prepaid Expenses	2,031	1,615	16,337
14	Deferred Charges			
15	Receivables/Payables to Associated Co.	297,521	(329,952)	1,328
16	Accounts Payable			
17	Interest Payable			
18	Customer Meter and Security Deposits	550	700	270
19	Taxes Payable	16,158	(13,908)	2,131
20	Other assets and liabilities	18,383	8,955	(11,573)
21	Rounding	(1)	-	(1)
22	Net Cash Flow provided by Operating Activities	<u>\$ 455,944</u>	<u>\$ (200,994)</u>	<u>\$ 87,822</u>
23	Cash Flow From Investing Activities:			
24	Capital Expenditures	(98,674)	(45,622)	(6,543)
25	Plant Held for Future Use			
26	Changes in Special Funds			
27	Net Cash Flows from Investing Activities	<u>\$ (98,674)</u>	<u>\$ (45,622)</u>	<u>\$ (6,543)</u>
28	Cash Flow From Financing Activities			
29	Change in Restricted Cash			
30	Proceeds from Long-Term Debt			
31	Net receipt of contributions in aid of construction			
32	Net receipts of advances in aid of construction			
33	Repayments of Long-Term Debt			
34	Distributions	(334,733)		
35	Deferred Financing Costs			
36	Paid in Capital			5,001
37	Net Cash Flows Provided by Financing Activities	<u>\$ (334,733)</u>	<u>\$ -</u>	<u>\$ 5,001</u>
38	Increase(decrease) in Cash and Cash Equivalents	22,537	(246,616)	86,280
39	Cash and Cash Equivalents at Beginning of Year	7,773	254,389	168,109
40	Cash and Cash Equivalents at End of Year	<u>\$ 30,310</u>	<u>\$ 7,773</u>	<u>\$ 254,389</u>

SUPPORTING SCHEDULES:
Workpapers

RECAP SCHEDULES:
A-5

EXHIBIT 2

2015 Jun	2016 Annual Jan-Dec	2017 Annual Jan-Dec	2018 Annual Jan-Dec	2019 Annual Jan-Dec	2020 Annual Jan-Dec	2021 Annual Jan-Dec
(Company) (\$143)	365	365	363	368	366	365
8143 - Entrada Del Oro Sewer						

Income Statement

Energy/Steam Sales	-	-	-	-	-	-
Waste Disposal Fees	-	-	-	-	-	-
Utility Sales and Distribution - Water and Wastewater	284,655	396,339	530,205	530,205	534,657	535,088
Utility Sales and Distribution - Energy	-	-	-	-	-	-
Utility Sales and Distribution - Gas	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-
Revenue - Gross	284,655	396,339	530,205	530,205	534,657	535,088
Regulated Electricity Purchased	-	-	-	-	-	-
Regulated Gas Purchased	-	-	-	-	-	-
Non Regulated Fuel for Generation	-	-	-	-	-	-
Energy Cost	-	-	-	-	-	-
Revenue - Net	284,655	396,339	530,205	530,205	534,657	535,088
Liberty - Operations - Non Labour	95,994	98,110	98,110	98,110	98,110	98,110
Operating Costs	76,029	76,330	76,330	76,330	76,330	76,330
Repair and Maintenance	1,177	1,284	1,284	1,284	1,284	1,284
Utility/Consumable Costs	781	852	852	852	852	852
Administration-Site	18,007	19,644	19,644	19,644	19,644	19,644
Administration-Corporate (Includes Test Year Inflation)	-	-	-	-	-	-
Liberty - Operations - Labour	21,544	22,104	22,104	22,104	22,104	22,104
Liberty - Customer Care - Non Labour	1,539	1,500	1,500	1,500	1,500	1,500
Liberty - Customer Care - Labour	8,877	8,988	8,988	8,988	8,988	8,988
Liberty - Admin - Non Labour	660	720	720	720	720	720
Liberty - Admin - Labour	12,154	12,420	12,420	12,420	12,420	12,420
Expenses (Excluding Admin)	140,768	143,842	143,842	143,842	143,842	143,842
Other Income Before EBITDA	-	-	-	-	-	-
Operating Profit	143,887	252,497	386,363	386,363	390,815	391,246
Business Group Admin	7,939	8,401	8,611	8,826	9,047	9,273
Business Services Admin	5,569	6,565	6,876	7,197	7,529	7,222
Business Group Profit	130,379	237,531	370,876	370,340	374,239	374,750
Executive Admin	3,273	3,951	4,138	4,341	4,569	4,700
Corporate Services Admin	3,572	3,871	4,143	4,424	4,717	4,841
Other Admin	6,845	7,822	8,281	8,764	9,286	9,542
Expenses (Including Admin)	161,121	166,630	167,610	168,630	169,704	169,879
EBITDA	123,534	229,709	362,595	361,575	364,953	365,209
Depreciation	167,308	167,509	170,982	174,721	177,655	181,161
Amortization	3,187	-	-	-	-	-
Depreciation & Amortization	170,495	167,509	170,982	174,721	177,655	181,161
EBIT	(46,961)	62,200	191,613	186,854	187,298	184,047
Interest Expense	4,907	5,340	5,340	5,340	5,340	5,340
AFUDC - Debt (Gain) / Loss	-	-	-	-	-	-
Acquisition Costs	-	-	-	-	-	-
(Gain) / Loss on Foreign Exchange	-	-	-	-	-	-
(Gain) / Loss on Derivative Financial Instrument	-	-	-	-	-	-
(Gain) / Loss on Fixed Asset Disposal	-	-	-	-	-	-
Other (Income) and Expenses	4,907	5,340	5,340	5,340	5,340	5,340
Earnings Before Tax	(51,868)	56,860	186,273	181,514	181,958	178,707
Current Income Taxes	-	-	-	-	-	-
Future Income Taxes	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-
Net Income	(51,868)	56,860	186,273	181,514	181,958	178,707

Balance Sheet

Cash	Cash	3,131	3,131	3,131	3,131	3,131
Short Term Investments	Short Term Investments	-	-	-	-	-
Accounts Receivables	Accounts Receivables	51,463	51,463	51,463	51,463	51,463
Prepaid Expenses	Prepaid Expenses	14,726	14,726	14,726	14,726	14,726

Supplies and Consumables Inventory	Supplies and Consumables in	-	-	-	-	-	-
Current Portion of Notes Receivables	Current Portion of Notes Receivables	-	-	-	-	-	-
Income Tax Receivable	Income Tax Receivable	-	-	-	-	-	-
Current Portion of Regulatory Assets	Current Portion of Regulatory Assets	-	-	-	-	-	-
Current Portion of Derivative Assets	Current Portion of Derivative Assets	-	-	-	-	-	-
Current Assets		69,320	69,320	69,320	69,320	69,320	69,320
Utility Plant	PPE - Cost	4,329,053	4,374,735	4,509,057	4,549,739	4,692,081	4,800,997
Accumulated Depreciation	Acc Depreciation - PPE	(1,710,722)	(1,878,231)	(2,049,214)	(2,223,935)	(2,401,590)	(2,582,751)
Construction Work In Progress	Acc Depreciation - PPE	-	-	-	-	-	-
Cost of Removal	Acc Depreciation - CIAC	-	-	-	-	-	-
Net Plant		2,618,331	2,496,504	2,459,843	2,325,804	2,290,492	2,218,246
Intangible Assets Cost	Intangible Assets Cost	-	-	-	-	-	-
Accumulated Depreciation-Intangible	Accumulated Depreciation-In	-	-	-	-	-	-
Other Intangibles	Other Intangibles	-	-	-	-	-	-
Net Intangible Assets		-	-	-	-	-	-
Restricted Cash	Restricted Cash	-	-	-	-	-	-
Intercompany Accounts	Intercompany Accounts	59,046	59,046	59,046	59,046	59,046	59,046
Long Term Assets	Long Term Assets	-	-	-	-	-	-
Goodwill	Goodwill	-	-	-	-	-	-
Future non-current income tax asset	Future non-current income tax	-	-	-	-	-	-
Deferred Financing Costs	Deferred Financing Costs	-	-	-	-	-	-
Regulatory Assets	Regulatory Assets	-	-	-	-	-	-
Derivative Assets	Derivative Assets	-	-	-	-	-	-
Other Assets	Other Assets	-	-	-	-	-	-
Other Non Current Assets		59,046	59,046	59,046	59,046	59,046	59,046
Assets		2,746,696	2,624,869	2,583,208	2,454,169	2,418,857	2,346,611
Accounts Payable	Accounts Payable	6,865	6,865	6,865	6,865	6,865	6,865
Accrued Liabilities	Accrued Liabilities	14,516	14,516	14,516	14,516	14,516	14,516
Distributions Payable	Distributions Payable	-	-	-	-	-	-
Dividends Payable	Dividends Payable	-	-	-	-	-	-
Current portion of long term debt	Current portion of long term	-	-	-	-	-	-
Current Portion of Derivative Liabilities	Current Portion of Derivative	-	-	-	-	-	-
Current Portion of Other Long-term Liabilities	Current Portion of Other Long	-	-	-	-	-	-
Deferred Revenue	Deferred Revenue	-	-	-	-	-	-
Current Portion of AIAC	Current Portion of AIAC	-	-	-	-	-	-
Current Portion Preferred Series C	Current Portion Preferred Ser	-	-	-	-	-	-
Current Liabilities		21,381	21,381	21,381	21,381	21,381	21,381
Long Term Liabilities	Long Term Liabilities	-	-	-	-	-	-
Convertible Debentures	Convertible Debentures	-	-	-	-	-	-
Other Long Term Liabilities	Other Long Term Liabilities	-	-	-	-	-	-
Advances in Aid of Construction	Advances in Aid of Constructi	5,000	5,000	5,000	5,000	5,000	5,000
Long Term Meter Deposits	Long Term Meter Deposits	2,360	2,360	2,360	2,360	2,360	2,360
Pension Obligation	Pension Obligation	-	-	-	-	-	-
Contingent Consideration	Contingent Consideration	-	-	-	-	-	-
Regulatory Liabilities	Regulatory Liabilities	5,217	5,217	5,217	5,217	5,217	5,217
Future non-current income tax liability	Future non-current income tax	-	-	-	-	-	-
Derivative Liabilities	Derivative Liabilities	-	-	-	-	-	-
Deferred Credits	Deferred Credits	-	-	-	-	-	-
Preferred Series C	Preferred Series C	-	-	-	-	-	-
Non Current Liabilities		12,577	12,577	12,577	12,577	12,577	12,577
Liabilities		33,958	33,958	33,958	33,958	33,958	33,958
Contributed Capital	Contributed Capital	-	-	-	-	-	-
Common Shares	Common Shares	3,018,312	3,018,312	3,018,312	3,018,312	3,018,312	3,018,312
Partnership Contributions	Partnership Contributions	-	-	-	-	-	-
Partnership Equity	Partnership Equity	-	-	-	-	-	-
Trust Units	Trust Units	-	-	-	-	-	-
Retained Earnings	Retained Earnings	(166,741)	(109,881)	76,391	257,905	439,863	618,571
Partnership Distributions	Partnership Distributions	-	-	-	-	-	-
Offering Costs	Offering Costs	-	-	-	-	-	-
Cash Distributions	Cash Distributions	(138,839)	(317,520)	(540,453)	(856,006)	(1,073,276)	(1,324,229)
Dividends Paid	Dividends Paid	-	-	-	-	-	-
Other Comprehensive Income	Other Comprehensive Income	-	-	-	-	-	-
Shareholders Equity		2,712,738	2,590,911	2,554,251	2,420,212	2,384,899	2,312,654
Non Controlling Interest	Non Controlling Interest	-	-	-	-	-	-
Total Equity		2,712,738	2,590,911	2,554,251	2,420,212	2,384,899	2,312,654
Total Liabilities and Equity		2,746,696	2,624,869	2,583,209	2,454,170	2,418,857	2,346,611

EXHIBIT 3

TERM SHEET

Lender	Liberty Utilities Co.
Borrower	Liberty Utilities (Entrada Del Oro Sewer) Corp.
Guarantor(s)	None
Type of Credit	Term Loan
Purpose	Any lawful purpose including, without limitation, achieving and maintaining a capital structure with a preferred blend of debt and equity.
Loan Amount	Maximum of US \$1.75 million
Maturity Date	Ten Years after Closing Date
Collateral	None
Interest Rate	<p>Interest on the principal amount of each Note will accrue from and including the date of the borrowing or issuance thereof, but excluding the date of any repayment or termination thereof, at a fixed rate per annum that is equal to the average of the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets for the prior 30 days plus [*] percent.</p> <p>*Spread to be equal to the indicative 10 year spread on Liberty Utilities Co.'s most recent private placement financing.</p>
Repayment Terms	Interest payments will be payable on a semi-annual basis. <i>[Given an interest rate of 3.5% at the time of application, the semi-annual interest payment would be approximately \$30,625.]</i> The principal balance shall be due and payable on or before the maturity date.
Prepayment	<p>Ten Year US Treasury plus 50 basis points make whole on early repayment.</p> <p>Lender acknowledges, and the parties hereto agree, that the loan holder has the right to maintain its investment in the loan free from repayment by Lender and that the provision for payment of a make-whole amount by Lender in the event that the loan is redeemed is intended to provide compensation for the deprivation of such right under such circumstances.</p> <p>"Make-whole amount" means, with respect to the loan, an amount equal to the excess, if any, of the discounted value of the remaining scheduled payments with respect to the called principal of such loan over the amount of such called principal, provided that the make-whole amount may in no event be less than zero.</p>
Indicative Covenants	Borrower shall maintain a debt to capital ratio of no more than 65%.
Other Covenants	Standard and customary for transactions of this nature.
Expenses	Borrower and Lender to incur their own reasonable out-of-pocket costs and expenses incurred in connection with initiating and administering the loan, including, but not limited to, closing, legal, and administrative costs.

EXHIBIT 4

Liberty Utilities Corp. (Entrada Del Oro) Pro Forma Ratios
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Debt Service Coverage Ratio	
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Net Income Test Year Ended Oct 31, 2015	\$	(48,015)
Interest Expense	\$	22,606
Depreciation and Amortization	\$	135,073
Net Operating Income	\$	109,664
Estimated Monthly Interest Payment	\$	1,884
Estimated Annual Interest Payments	\$	22,606
Debt Service Coverage Ratio		4.85

Times Interest Earned Ratio	
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Net Income Test Year Ended Oct 31, 2015	\$	(48,015)
Interest Expense	\$	22,606
Income Taxes	\$	(12,294)
Earnings Before Interest and Taxes	\$	(37,703)
Estimated Monthly Interest Payment	\$	1,884
Estimated Annual Interest Payments	\$	22,606
Times Interest Earned Ratio		-1.67

EXHIBIT 5

Debt Service Coverage Ratio (DSCR)Earnings before Interest, Taxes, and Depreciation and Amortization (EBITDA)¹

Proforma Net Income	\$	149,085
Proforma Interest Expense		22,606
Proforma Income Taxes		62,674
Proforma Depreciation and Amortization		135,073
EBITDA	\$	369,438

Debt Service

Proforma Debt	\$	1,750,000
Annual Principal	\$	-
Annual Interest	\$	61,250
Annual Debt Service	\$	61,250
DSCR	\$	6.03

¹ Based upon Adjusted Test Year and Proposed Revenue Increase in Rate Case

Times Interest Earned Ratio (TIER)Earnings before Interest, Taxes (EBIT)¹

Proforma Net Income	\$	149,085
Proforma Interest Expense		22,606
Proforma Income Taxes		62,674
EBITDA	\$	234,365

Debt Service

Proforma Debt	\$	1,750,000
Annual Interest	\$	61,250
TIER	\$	3.83

¹ Based upon Adjusted Test Year and Proposed Revenue Increase in Rate Case

EXHIBIT 6

LIBERTY UTILITIES (ENTRADA DEL ORO SEWER) CORP.

**STATEMENT OF UNANIMOUS WRITTEN CONSENT TO ACTION TAKEN IN LIEU
OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS**

September 16, 2015

In lieu of a special meeting of the Board of Directors of Liberty Utilities (Entrada Del Oro Sewer) Corp., an Arizona corporation (the "Corporation"), the undersigned, being all of the duly elected directors of the Corporation (the "Board"), acting in accordance with the authority contained in Arizona Revised Statutes §10-821, hereby adopt the following resolutions as actions of the Board, with the same force and effect as if such resolutions had been duly adopted at a meeting of the Board.

DEBT FINANCING

RESOLVED THAT the Corporation is authorized to apply to the Arizona Corporation Commission seeking approval of the debt financing contemplated in the Corporation's Financing Application ("Application") to be filed with the Arizona Corporation Commission, in an amount necessary to rebalance and maintain the Corporation's capital structure at 30 percent debt to 70 percent equity;

RESOLVED THAT the Corporation may obtain debt financing from Liberty Utilities Co. in an amount not to exceed \$1,750,000, at an interest rate equal to the average of the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets for the prior 30 days plus a percent spread to be equal to the spread on Liberty Utilities Co.'s most recent private placement financing;

RESOLVED THAT the maturity date for the debt financing from Liberty Utilities Co. shall be ten (10) years after closing date;

RESOLVED THAT that Liberty Utilities Co. will not earn a profit on such debt financing to the Corporation as sought in the Financing Application;

RESOLVED THAT the Corporation is authorized to execute, prepare and submit all proper filings and disclosures, and seek and obtain any and all necessary approvals in connection with the processing of the Financing Application; and

FURTHER RESOLVED THAT any two officers of the Corporation be, and each of them hereby is, authorized to sign such documents on behalf of the Corporation and to otherwise carry out the purposes and intent of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned, being all of the Directors of the Corporation, have executed this Statement of Unanimous Written Consent as of the date first written above.

LIBERTY UTILITIES (ENTRADA DEL ORO SEWER) CORP.

By: 

Name: ~~Ian Robertson~~
Title: Director

By: _____

Name: Gregory Sorensen
Title: Director

By: _____


Name: Richard Leehr
Title: Director

IN WITNESS WHEREOF, the undersigned, being all of the Directors of the Corporation, have executed this Statement of Unanimous Written Consent as of the date first written above.

LIBERTY UTILITIES (ENTRADA DEL ORO SEWER) CORP.

By: _____
Name: Ian Robertson
Title: Director

By: 
Name: Gregory Sorensen
Title: Director

By: 
Name: Richard Leehr
Title: Director